



Treasury Committee

House of Commons, Committee Office, London SW1A 0AA

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Sir Robert Stheeman
Chief Executive
UK Debt Management Office
Via email

19 November 2020

Dear Sir Robert,

I write regarding the DMO's continuing programme of syndicated offerings.

In 2008, when the DMO consulted on whether to reactivate its programme of syndicated offerings, it noted that:

The Government would need to be satisfied with a high degree of certainty about the balance of advantage to the Government from using syndication before contemplating usage of that method on a more regular basis.¹

Given that the result of the consultation was a reactivation of the programme, and that the programme has been in operation for a period of time, I would welcome your responses to the following questions on your syndication operations, as part of the Committee's ongoing scrutiny of the work of the DMO:

- At syndication the DMO sells a gilt at a yield spread over the yield of a 'reference' gilt. That spread is subject to "indicative price guidance"; the final spread is then chosen within this range. Can you confirm that, at every one of the fifty-eight syndications from the beginning of 2011 until September 2020, that spread was at "the tight end of the published price guidance"?
- [If this is the case:] Is it surprising that you have achieved "the tight end" in such a consistent manner? Could this be a sign that sometimes you have potentially not priced keenly enough, to the taxpayers' detriment, especially given the seeming high levels of demand?
- At syndication, the DMO sells a gilt at a yield spread over the yield of a 'reference' gilt. Is there an incentive for market players not to buy the reference gilt to lower its price before the syndication? If such an incentive exists, how does the DMO monitor the price of the reference gilt?
- There appears to be high levels of demand within the published results of the syndications. How are you sure the pricing has been keen enough in favour of the taxpayer?

¹ DMO, [SUPPLEMENTARY METHODS FOR DISTRIBUTING GILTS: A CONSULTATION DOCUMENT](#), 17 December 2008, p 14

- The syndication prospectuses show that commissions are paid to the managers of the syndications. While individual contracts may be commercially sensitive, I would welcome information on how those fees are set, and the running total of the fees paid since the reactivation of the syndication programme.

Alongside the answers to these questions, I would welcome any other commentary the DMO might wish to provide, and any discussion of any other policy considerations the DMO has considered in undertaking its syndication programme.

This letter, and in due course, your reply, will be placed in the public domain.

Yours sincerely,



Rt Hon. Mel Stride MP
Chair of the Treasury Committee